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# QUARTERLY REPORT

TRADING NAME OF LICENSEE: Bally's Park Place, Inc. (Bally's Atlantic City)

For The Quarter Ended June 30, 2002

TO THE  
CASINO CONTROL COMMISSION  
OF THE  
STATE OF NEW JERSEY

## BALANCE SHEETS

JUNE 30, 2002 AND 2001

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2002 (c)	2001 (d)
	<b>ASSETS</b>		
	Current Assets:		
1	Cash and cash equivalents. ....	\$ 30,289	\$ 26,499
2	Short-term investments. ....	-	-
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 2002, \$ 7,218 ; 2001, \$ 7,259 ). .... NOTE 2. ....	32,965	69,006
4	Inventories. ....	2,273	2,246
5	Prepaid expenses and other current assets. ....	4,270	4,839
6	Total current assets. ....	69,797	102,590
7	Investments, Advances, and Receivables. .... NOTES 1 and 3. ....	148,880	166,468
8	Property and Equipment - Gross. .... NOTES 1 and 4. ....	1,116,997	1,058,128
9	Less: Accumulated Depreciation/Amortization. .... NOTES 1 and 4. ....	(544,778)	(511,970)
10	Property and Equipment - Net. ....	572,219	546,158
11	Other Assets. ....	233	233
12	Total Assets. ....	\$ 791,129	\$ 815,449
	<b>LIABILITIES AND EQUITY</b>		
	Current Liabilities:		
13	Accounts payable. ....	\$ 5,073	\$ 5,735
14	Notes payable. ....	-	-
	Current portion of long-term debt. ....		
15	Due to affiliates. ....	-	-
16	Other. ....	59	57
17	Income taxes payable and accrued. ....	-	-
18	Other accrued expenses. .... NOTE 5. ....	30,828	26,724
19	Other current liabilities. .... NOTE 6. ....	5,205	8,569
20	Total current liabilities. ....	41,165	41,085
	Long-Term Debt:		
21	Due to affiliates. .... NOTE 7. ....	533,500	533,500
22	Other. .... NOTE 7. ....	1,723	1,861
23	Deferred Credits. ....	-	-
24	Other Liabilities. .... NOTE 8. ....	1,994	2,109
25	Commitments And Contingencies. .... NOTE 1. ....	-	-
26	Total Liabilities. ....	578,382	578,555
27	Stockholders', Partners', Or Proprietor's Equity. ....	212,747	236,894
28	Total Liabilities And Equity. ....	\$ 791,129	\$ 815,449

\*Restated to conform to the 2002 presentation.

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

## STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2002 AND 2001

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (A)	DESCRIPTION (b)	2002 (c)	2001 (d)
	<b>REVENUE:</b>		
1	Casino .....	\$ 259,881	\$ 254,150
2	Rooms .....	19,157	18,084
3	Food and Beverage .....	37,033	36,621
4	Other .....	5,413	6,005
5	Total Revenue .....	321,484	314,860
6	Less: Promotional allowances .....	57,520	58,857 *
7	Net Revenue .....	263,964	256,003
	<b>COSTS AND EXPENSES:</b>		
8	Costs of Goods and Services .....	145,770	145,649
9	Selling, General, and Administrative .....	28,220	28,386 *
10	Provision for Doubtful Accounts .....	1,290	1,459
11	Total costs and expenses .....	175,280	175,494
12	Gross Operating Profit .....	88,684	80,509
13	Depreciation and amortization ..... NOTE 1...	17,647	17,516
	Charges from affiliates other than interest:		
14	Management fees ..... NOTE 9...	8,826	8,435
15	Other .....	---	---
16	Income (Loss) from Operations .....	62,211	54,558
	Other Income (Expenses):		
17	Interest (expense) - affiliates ..... NOTE 7...	(22,353)	(21,445)
18	Interest (expense) - external .....	(128)	(137)
19	Investment alternative tax and related income (expense) - net .....	(3,011)	(1,942)
20	Non-operating income (expense) - net ..... NOTE 10...	4,204	4,682
21	Total other income (expenses) .....	(21,288)	(18,842)
22	Income (Loss) Before Income Taxes and Extraordinary Items .....	40,923	35,716
23	Provision (credit) for income taxes .....	15,320	13,144
24	Income (Loss) Before Extraordinary Items .....	25,603	22,572
25	Extraordinary items (net of income taxes) .....	---	---
26	Net Income (Loss) .....	\$ 25,603	\$ 22,572

\*Restated to conform to the 2002 presentation.

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

## STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED JUNE 30, 2002 AND 2001

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (A)	DESCRIPTION (b)	2002 (c)	2001 (d)
	<b>REVENUE:</b>		
1	Casino .....	\$ 133,564	\$ 130,651
2	Rooms .....	10,404	9,857
3	Food and Beverage .....	18,859	18,782
4	Other .....	2,477	3,002
5	Total Revenue .....	165,304	162,292
6	Less: Promotional allowances .....	28,717	28,554 *
7	Net Revenue .....	136,587	133,738
	<b>COSTS AND EXPENSES:</b>		
8	Costs of Goods and Services .....	73,145	73,356
9	Selling, General, and Administrative .....	13,959	13,850 *
10	Provision for Doubtful Accounts .....	432	973
11	Total costs and expenses .....	87,536	88,179
12	Gross Operating Profit .....	49,051	45,559
13	Depreciation and amortization ..... NOTE 1...	8,859	8,814
	Charges from affiliates other than interest:		
14	Management fees ..... NOTE 9...	4,636	4,359
15	Other .....	---	---
16	Income (Loss) from Operations .....	35,556	32,386
	Other Income (Expenses):		
17	Interest (expense) - affiliates ..... NOTE 7...	(11,095)	(10,862)
18	Interest (expense) - external .....	(63)	(67)
19	Investment alternative tax and related income (expense) - net .....	(1,553)	(967)
20	Non-operating income (expense) - net ..... NOTE 10...	4,582	5,026
21	Total other income (expenses) .....	(8,129)	(6,870)
22	Income (Loss) Before Income Taxes and Extraordinary Items .....	27,427	25,516
23	Provision (credit) for income taxes .....	9,538	8,585
24	Income (Loss) Before Extraordinary Items .....	17,889	16,931
25	Extraordinary items (net of income taxes) .....	---	---
26	Net Income (Loss) .....	\$ 17,889	\$ 16,931

\*Restated to conform to the 2002 presentation.

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2001 AND THE SIX MONTHS ENDED JUNE 30, 2002

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Common Stock		Preferred Stock		Additional Paid - In Capital (g)	----- ----- ----- (h)	Retained Earnings (Accumulated Deficit) (i)	Total Stockholder's Equity (Deficit) (j)
		Shares (c)	Amount (d)	Shares (e)	Amount (f)				
1	Balance, December 31, 2000	100	\$ 1			\$ 128,260		\$ 86,061	\$ 214,322
2	Net Income - 2001							50,822	50,822
3	Contribution to Paid - In Capital								
4	Dividends								
5	Prior Period Adjustments								
6	Distribution to PPE								
7									
8									
9									
10	Balance, December 31, 2001	100	1			128,260		136,883	265,144
11	Net Income - 2002							25,603	25,603
12	Contribution to Paid - In Capital								
13	Dividends							(78,000)	(78,000)
14	Prior Period Adjustments								
15									
16									
17									
18									
19	Balance, June 30, 2002	100	\$ 1			\$ 128,260		\$ 84,486	\$ 212,747

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

# STATEMENT OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2001 AND THE SIX MONTHS ENDED JUNE 30, 2002

(UNAUDITED)  
(\$ IN THOUSANDS)

**NOT APPLICABLE**

Line (a)	Description (b)	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	Balance, December 31, 2000. . . . .				
2	Net Income (Loss) - 2001. . . . .				
3	Capital Contributions. . . . .				
4	Capital Withdrawals. . . . .				
5	Partnership Distributions. . . . .				
6	Prior Period Adjustments. . . . .				
7					
8					
9					
10	Balance, December 31, 2001. . . . .				
11	Net Income (Loss) - 2002. . . . .				
12	Capital Contributions. . . . .				
13	Capital Withdrawals. . . . .				
14	Partnership Distributions. . . . .				
15	Prior Period Adjustments. . . . .				
16					
17					
18					
19	Balance, June 30, 2002. . . . .				

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

## STATEMENTS OF CASH FLOWS

Page 1 of 2

FOR THE SIX MONTHS ENDED JUNE 30, 2002 AND 2001

(UNAUDITED)  
(\$ IN THOUSANDS)

LIN (a)	Description (b)	2002 (c)	2001 (d)
1	Net Cash Provided (Used) By Operating Activities .....	\$ 40,050	\$ 29,936
	Cash Flows From Investing Activities:		
2	Purchase of short-term investment securities .....	---	---
3	Proceeds from the sale of short-term investment securities .....	---	---
4	Purchase outflows for property and equipment .....	(26,336)	(7,373)
5	Proceeds from disposition of property and equipment .....	189	140
6	Purchase of casino reinvestment obligations .....	(3,453)	(3,229)
7	Purchase of other investments and loans/advances made .....	---	(33,500)
8	Proceeds from disposal of investments and collection of advances and long-term receivables .....	1,817	113
9	Cash outflows to acquire business entities .....	---	---
10	.....	---	---
11	Net book values of disposals .....	---	---
12	Net Cash Provided (Used) By Investing Activities .....	(27,783)	(43,849)
	Cash Flows From Financing Activities:		
13	Cash proceeds from issuance of short-term debt .....	---	---
14	Payments to settle short-term debt .....	---	---
15	Cash proceeds from issuance of long-term debt .....	---	33,500
16	Costs of issuing debt .....	---	---
17	Payments to settle long-term debt .....	(101)	(35)
18	Cash proceeds from issuing stock or capital contributions .....	---	---
19	Purchases of treasury stock .....	---	---
20	Payments of dividends or capital withdrawals .....	(78,000)	---
21	Change in payable to/receivable from affiliate .....	67,345	(21,706)
22	.....	---	---
23	Net Cash Provided (Used) By Financing Activities .....	(10,756)	11,759
24	Net Increase (Decrease) In Cash And Cash Equivalents .....	1,511	(2,154) *
25	Cash And Cash Equivalents At Beginning Of Period .....	28,778	28,653 *
26	Cash And Cash Equivalents At End Of Period .....	\$ 30,289	\$ 26,499

## SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	Cash Paid During Period For:		
27	Interest (net of amount capitalized) .....	\$ 22,481	\$ 21,582
28	Income taxes .....	\$ 15,320	\$ 13,144

\*Restated to conform to the 2002 presentation.

The accompanying notes are an integral part of the financial statements.

## STATEMENTS OF CASH FLOWS

Page 2 of 2

FOR THE SIX MONTHS ENDED JUNE 30, 2002 AND 2001

(UNAUDITED)  
(\$ IN THOUSANDS)

LIN (a)	Description (b)	2002 (c)	2001 (d)
	<b>Net Cash Flows From Operating Activities:</b>		
29	Net income (loss) .....	\$ 25,603	\$ 22,572
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment .....	17,647	17,516
31	Amortization of other assets .....	---	---
32	Amortization of Debt Discount or Premium .....	---	---
33	Deferred Income taxes - current .....	---	---
34	Deferred income taxes - noncurrent .....	---	---
35	(Gain) loss on disposition of property and equipment .....	(97)	25
36	(Gain) loss on casino reinvestment obligations .....	3,011	1,942
37	(Gain) loss from other investment activities .....	(3,422)	(3,584)
38	Net (increase) decrease in receivables and patrons' checks .....	(5,248)	(7,110)
39	Net (increase) decrease in inventories .....	(10)	(106)
40	Net (increase) decrease in other current assets .....	(1,663)	(2,036)
41	Net (increase) decrease in other assets .....	---	68
42	Net increase (decrease) in accounts payables .....	(590)	(540) *
43	Net increase (decrease) in other current liabilities excluding debt .....	4,877	1,246 *
44	Net increase in other noncurrent liabilities excluding debt .....	(58)	(57)
45	Loss on extinguishment of debt, net of income tax benefit .....	---	---
46	Amortization of CRDA assets .....	---	---
47	Net Cash Provided (Used) By Operating Activities .....	\$ 40,050	\$ 29,936

## SUPPLEMENTAL SCHEDULE OF INVESTING AND FINANCING ACTIVITIES

	<b>Acquisition Of Property And Equipment:</b>		
48	Additions to property and equipment .....	\$ 26,336	\$ 7,373
49	Less: Capital lease obligations incurred .....	---	---
50	Cash Outflows For Property And Equipment .....	\$ 26,336	\$ 7,373
	<b>Acquisition Of Business Entities:</b>		
51	Property and equipment acquired .....	\$ ---	\$ ---
52	Goodwill acquired .....	---	---
53	Net assets acquired other than cash, goodwill, and property and equipment .....	---	---
54	Long-term debt assumed .....	---	---
55	Issuance of stock or capital invested .....	---	---
56	Cash Outflows To Acquire Business Entities .....	\$ ---	\$ ---
	<b>Stock Issued Or Capital Contributions:</b>		
57	Total issuances of stock or capital contributions .....	\$ ---	\$ ---
58	Less: Issuances to settle long-term debt .....	---	---
59	Consideration in acquisition of business entities .....	---	---
60	Cash Proceeds From Issuing Stock Or Capital Contributions .....	\$ ---	\$ ---

\*Restated to conform to the 2002 presentation.

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.



# SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

(\$ IN THOUSANDS)

FOR THE THREE MONTHS ENDED JUNE 30, 2002

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	121,544	\$ 5,335		\$
2	Food	548,349	7,258		
3	Beverage	2,017,867	4,035		
4	Travel			18,492	1,196
5	Bus Program Cash	271,940	3,682		
6	Other Cash Complimentarie	625,919	8,146		
7	Entertainment	793	37	3,195	399
8	Retail & Non-Cash Gifts	4,726	170	62,228	1,734
9	Parking				
10	Other *	1,798	54	53,738	569
11	Total	3,592,936	\$ 28,717	137,653	\$ 3,898

FOR THE SIX MONTHS ENDED JUNE 30, 2002

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	262,549	\$ 10,617		\$
2	Food	1,060,159	14,225		
3	Beverage	4,057,710	8,115		
4	Travel			31,196	2,128
5	Bus Program Cash	519,169	7,243		
6	Other Cash Complimentarie	1,301,522	16,562		
7	Entertainment	15,186	337	4,165	520
8	Retail & Non-Cash Gifts	7,995	316	154,710	4,100
9	Parking				
10	Other *	3,500	105	92,654	1,026
11	Total	7,227,790	\$ 57,520	282,725	\$ 7,774

\* No item in this category exceeds 5%.

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and basis of presentation**

The accompanying financial statements include the accounts of Bally's Park Place, Inc., a New Jersey corporation (the "Company"), a wholly owned subsidiary of Park Place Entertainment Corporation ("PPE"). The Company owns and operates the casino hotel resort in Atlantic City, New Jersey known as "Bally's Atlantic City", and was formerly known as "Bally's Park Place Casino Resort." The Company operates in one industry segment and all significant revenues arise from its casino and supporting hotel operations. The accompanying financial statements should be read in conjunction with the Company's Casino Control Commission Quarterly Report for the year ended December 31, 2001.

All adjustments have been recorded which are, in the opinion of management, necessary for a fair presentation of the balance sheets of the Company at June 30, 2002 and 2001, and its statements of income for the three and six months ended June 30, 2002 and 2001 and its statements of cash flows for the six months ended June 30, 2002 and 2001. All such adjustments were of a normal recurring nature.

**Seasonal factors**

The Company's operations are subject to seasonal factors and, therefore, the results of operations for the six months ended June 30, 2002 and 2001 are not necessarily indicative of the results of operations for the full year.

**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenue and expenses reported during the period. Actual results could differ from such estimates.

**Reclassifications**

The financial statements for the prior year reflect certain reclassifications to conform with classifications adopted in 2002. These reclassifications had no impact on previously reported net income.

**Revenue recognition and promotional allowances**

Casino revenues represent the net revenue from gaming wins and losses. The revenues from hotel, food and beverage, and from theater ticket sales are recognized at the time the related services are performed. The Statement of Income reflects operating revenues including the retail value of complimentary services (also known as promotional allowances), which are deducted on a separate line to arrive at net revenues. Promotional allowances are provided to casino patrons without charge.

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

In the first quarter of 2001, the Emerging Issues Task Forces ("EITF") reached a consensus on certain issues in EITF 00-22 "Accounting for 'Points' and Certain Other Time-Based Sales Incentive Offers, and Offers for Free Products or Services to Be Delivered in the Future." EITF 00-22 requires that cash rebates or refunds as part of a customer loyalty program be shown as a reduction of revenues.

EITF 00-14 "Accounting for Certain Sales Incentives," which is effective January 1, 2002, focuses on the accounting for, and presentation of, discounts, coupons and rebates. EITF 00-14 requires that cash or equivalent amounts provided or returned to customers as part of a transaction should not be shown as an expense but should be an offset to the related revenue. The Company offers cash inducements and match-play coupons to customers to encourage visitation and play at the casino.

With the adoption of the new standards, the prior-year period presented has been reclassified to conform to the new presentation. This resulted in an addition to promotional allowances (and a corresponding reduction in selling, general and administrative expenses) of \$11,828 and \$11,262, for the three months ended June 30, 2002 and 2001, respectively, and \$23,805 and \$24,715, for the six months ended June 30, 2002 and 2001, respectively. The requirements of EITF 00-14 and EITF 00-22 do not have an impact on previously reported operating income or net income.

### **Inventories**

Inventories are stated at the lower of cost (weighted average cost method) or market, which approximates replacement cost.

### **Property and equipment**

Depreciation of property and equipment is provided on the straight-line basis the estimated economic lives of the related assets. Depreciation expense was \$8,859 and \$8,814 for the three months ended June 30, 2002 and 2001, respectively, and \$17,647 and \$17,516 for the six months ended June 30, 2002 and 2001, respectively.

<u>Asset class</u>	<u>Life</u>
Buildings	40 years
Building improvements	3-10 years
Furniture, Fixtures and Equipment	3-10 years

### **Long-lived assets**

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). Under SFAS 142, goodwill and indefinite-lived intangible assets are no longer amortized but are reviewed at least annually for impairment. Separate intangible assets that are not deemed to have an indefinite life will continue to be amortized over their useful lives (but with no maximum life). The adoption of SFAS 142 had no effect on the Company's financial position and results of operations.

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**Fair value of financial instruments**

The fair values of the Company's financial instruments including receivables, payables and debt approximate their recorded book values at June 30, 2002 and 2001.

**Investments in subsidiaries**

The Company has an investment in GNOC, Corp. (which owns and operates the casino hotel resort in Atlantic City known as the "Atlantic City Hilton"). The Company also has investments in three other subsidiaries, Atlantic City Country Club, Inc., Bally's Land Ventures, Inc. and Bally's Skyscraper, Inc ("BSI"). On June 1, 2001, BSI purchased the assets and assumed certain liabilities of the Claridge at Park Place, Inc. ("CPPI") and Atlantic City Boardwalk Associates ("ACBA"), and commenced operation of the casino hotel resort in Atlantic City known as the "Claridge." On December 18, 2001, the Company filed a certificate of merger combining three wholly-owned subsidiaries, Bally's Park Place Realty Co., B.W. Realty, Inc. and Bally Warwick, Inc. with and into Bally's Park Place, Inc. This transaction was accounted for at historical cost. The investments in all subsidiaries are reflected in the accompanying financial statements using the equity method.

**Allocations and transactions with related parties**

The Company transfers cash in excess of its operating needs to PPE on a daily basis. PPE provides the Company with cash advances for capital expenditures and working capital needs.

Certain executive, administrative and support operations of the Company and other PPE affiliates are consolidated, including limousine services, legal services, advertising, sales and marketing services, purchasing and certain other administrative departments. Costs of these operations are allocated to or from the Company either directly or using various formulas based on estimates of utilization of such services. Management believes the methods used to allocate these costs are reasonable.

**Income taxes**

Taxable income or loss of the Company is included in the consolidated federal income tax return of PPE. The Company provides for income taxes by applying the respective state and federal statutory rates to the pre-tax financial statement income. The corresponding liability or receivable is credited or charged to PPE. Deferred income tax assets and liabilities for temporary differences between the carrying amounts for financial reporting and income tax purposes, if any, are accounted for by PPE.

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**Casino Reinvestment Development Authority**

The New Jersey Casino Control Act provides, among other things, for an assessment of licensees equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. The Company has satisfied this investment obligation by investing in qualified eligible direct investments, by making qualified contributions or by depositing funds with the Casino Reinvestment Development Authority (the "CRDA"). Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have terms up to fifty years and bear interest at below market rates. The Company records a charge to reflect the estimated realizable value of its CRDA investments.

**NOTE 2 – RECEIVABLES AND PATRONS' CHECKS**

Receivables and patrons' checks as of June 30 consist of the following:

	<u>2002</u>	<u>2001</u>
Casino receivables (net of allowance for doubtful accounts – \$7,181 in 2002 and \$7,194 in 2001)	\$ 6,560	\$ 8,901
Other (net of allowance for doubtful accounts – \$37 in 2002 and \$65 in 2001)	4,080	4,767
Due from PPE	13,216	26,060
Due from Caesars Atlantic City	3,387	11,823
Due from Atlantic City Country Club, Inc.	712	15,070
Due from affiliates	<u>5,010</u>	<u>2,385</u>
	<u>\$ 32,965</u>	<u>\$ 69,006</u>

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 3 - INVESTMENTS, ADVANCES AND RECEIVABLES**

Investments, advances and receivables as of June 30 consist of the following:

	<u>2002</u>	<u>2001</u>
Investment in wholly owned subsidiaries (see Note 1):		
Atlantic City Country Club, Inc.	\$ 16,246	\$ 17,281
Bally's Park Place Realty Company	-	15,625
B.W. Realty, Inc.	-	5,329
Bally Warwick, Inc.	-	3,228
Bally's Land Ventures Realty, Inc.	14,342	14,342
Bally's Skyscraper, Inc.	33,785	33,472
GNOC, Corp.	<u>56,140</u>	<u>47,578</u>
Total investment in subsidiaries	120,513	136,855
Casino Reinvestment Development Authority		
Investment obligations (less valuation reserves of \$10,573 in 2002 and \$12,106 in 2001)	26,324	26,862
Jacobs Family Terrace mortgage receivable (less reserve of \$250 in 2002 and 2001)	1,431	1,796
Long-term receivable from GNOC, Corp.	<u>612</u>	<u>955</u>
	<u>\$148,880</u>	<u>\$166,468</u>

The Company, GNOC, Corp. and the CRDA entered into a credit exchange agreement and an investment agreement in 1998. The credit exchange agreement permits the exchange of certain current and future CRDA obligations between the Company and GNOC, Corp. resulting in the long-term receivable from GNOC, Corp. The investment agreement provides an investment plan for use of certain current and future CRDA funds.

**NOTE 4 - PROPERTY AND EQUIPMENT**

Property and equipment as of June 30 consist of the following:

	<u>2002</u>	<u>2001</u>
Land	\$ 98,964	\$ 79,492
Buildings and improvements	750,470	745,792
Furniture, fixtures and equipment	244,663	230,734
Construction in progress	<u>22,900</u>	<u>2,110</u>
	1,116,997	1,058,128
Less accumulated depreciation and amortization	<u>(544,778)</u>	<u>(511,970)</u>
	<u>\$ 572,219</u>	<u>\$ 546,158</u>

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 5 - OTHER ACCRUED EXPENSES**

Other accrued expenses as of June 30 consist of the following:

	<u>2002</u>	<u>2001</u>
Accrued payroll and benefits	\$ 15,685	\$ 13,601
Insurance claims	5,726	4,929
Other	9,417	8,194
	<u>\$ 30,828</u>	<u>\$ 26,724</u>

**NOTE 6 - OTHER CURRENT LIABILITIES**

Other current liabilities as of June 30 consist of the following:

	<u>2002</u>	<u>2001</u>
Chip and token liability	\$ 1,394	\$ 1,939
Due to affiliates	2,718	5,985
Other	1,093	645
	<u>\$ 5,205</u>	<u>\$ 8,569</u>

**NOTE 7 - LONG-TERM DEBT-DUE TO AFFILIATES AND OTHER**

Long-term debt-due to affiliates and other as of June 30 consist of the following:

	<u>2002</u>	<u>2001</u>
Long-term debt due to affiliates:		
8.5% Note payable to Park Place Finance Corporation ("PPFC") due May 31, 2011	\$ 33,500	\$ 33,500
8.5% Note payable to PPFC due January 1, 2009	500,000	500,000
	<u>\$ 533,500</u>	<u>\$ 533,500</u>
Long-term debt-other:		
Other secured and unsecured debt	<u>\$ 1,723</u>	<u>\$ 1,861</u>

In January 1999, the Company executed a \$500,000 note payable to PPE with interest at a rate of 8.5% per annum, payable on the last business day of each quarter. On July 1, 2000, PPE assigned the \$500,000 note to PPFC. On June 1, 2001 the Company executed a \$33,500 note payable to PPFC with interest at a rate of 8.5% per annum, payable on the last business day of each quarter, the proceeds of which were invested in BSI.

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 8 - OTHER LIABILITIES**

Other liabilities as of June 30 consist of the following:

	<u>2002</u>	<u>2001</u>
Retirement and other employee benefit plans	\$ 1,469	\$ 1,628
Other	<u>525</u>	<u>481</u>
	<u>\$ 1,994</u>	<u>\$ 2,109</u>

**NOTE 9 - CHARGES FROM AFFILIATES-MANAGEMENT FEE**

The Company and PPE have entered into an administrative services and management agreement. Under the agreement, PPE provides certain services to the Company in the conduct of its business including, but not limited to operations, marketing, banking, accounting, insurance, tax, regulatory and public company reporting, human resource and benefit administration and other administrative functions. In consideration for these services, the Company pays PPE a monthly management fee equal to three percent of revenues, as defined.

**NOTE 10 - NONOPERATING INCOME (EXPENSE) - NET**

Nonoperating income (expense) for the three months ended June 30 consist of the following:

	<u>2002</u>	<u>2001</u>
Interest income	\$ 178	\$ 272
Gain on sale of assets	97	14
Equity in income of unconsolidated subsidiaries	4,078	4,521
Other	<u>229</u>	<u>219</u>
	<u>\$ 4,582</u>	<u>\$ 5,026</u>


Nonoperating income (expense) for the six months ended June 30 consist of the following:

	<u>2002</u>	<u>2001</u>
Interest income	\$ 229	\$ 701
Gain (loss) on sale of assets	97	(25)
Equity in income of unconsolidated subsidiaries	3,422	3,584
Other	<u>456</u>	<u>422</u>
	<u>\$ 4,204</u>	<u>\$ 4,682</u>



# STATEMENT OF CONFORMITY, ACCURACY AND COMPLIANCE

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.

  
Signature

Controller  
Title

#7091-11  
License Number

On Behalf Of:  
Bally's Park Place, Inc. NJ  
Casino Licensee